



## Senate

General Assembly

**File No. 426**

February Session, 2000

Substitute Senate Bill No. 563

*Senate, April 5, 2000*

The Committee on Finance, Revenue and Bonding reported through SEN. LOONEY of the 11<sup>th</sup> Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

### ***An Act Concerning Treatment Of Holocaust Reparations In Determining Income For Tax And Other Purposes.***

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1       Section 1. Subdivision (20) of subsection (a) of section 12-701 of the  
2       general statutes, as amended by section 1 of public act 99-173, is  
3       repealed and the following is substituted in lieu thereof:

4       (20) "Connecticut adjusted gross income" means adjusted gross  
5       income, with the following modifications:

6       (A) There shall be added thereto (i) to the extent not properly  
7       includable in gross income for federal income tax purposes, any  
8       interest income from obligations issued by or on behalf of any state,  
9       political subdivision thereof, or public instrumentality, state or local  
10      authority, district or similar public entity, exclusive of such income  
11      from obligations issued by or on behalf of the state of Connecticut, any

12 political subdivision thereof, or public instrumentality, state or local  
13 authority, district or similar public entity created under the laws of the  
14 state of Connecticut and exclusive of any such income with respect to  
15 which taxation by any state is prohibited by federal law, (ii) any  
16 exempt-interest dividends, as defined in Section 852(b)(5) of the  
17 Internal Revenue Code, exclusive of such exempt-interest dividends  
18 derived from obligations issued by or on behalf of the state of  
19 Connecticut, any political subdivision thereof, or public  
20 instrumentality, state or local authority, district or similar public entity  
21 created under the laws of the state of Connecticut and exclusive of  
22 such exempt-interest dividends derived from obligations, the income  
23 with respect to which taxation by any state is prohibited by federal  
24 law, (iii) any interest or dividend income on obligations or securities of  
25 any authority, commission or instrumentality of the United States  
26 which federal law exempts from federal income tax but does not  
27 exempt from state income taxes, (iv) to the extent included in gross  
28 income for federal income tax purposes for the taxable year, the total  
29 taxable amount of a lump sum distribution for the taxable year  
30 deductible from such gross income in calculating federal adjusted  
31 gross income, (v) to the extent properly includable in determining the  
32 net gain or loss from the sale or other disposition of capital assets for  
33 federal income tax purposes, any loss from the sale or exchange of  
34 obligations issued by or on behalf of the state of Connecticut, any  
35 political subdivision thereof, or public instrumentality, state or local  
36 authority, district or similar public entity created under the laws of the  
37 state of Connecticut, in the income year such loss was recognized, (vi)  
38 to the extent deductible in determining federal adjusted gross income,  
39 any income taxes imposed by this state, (vii) to the extent deductible in  
40 determining federal adjusted gross income, any interest on  
41 indebtedness incurred or continued to purchase or carry obligations or  
42 securities the interest on which is exempt from tax under this chapter  
43 and (viii) expenses paid or incurred during the taxable year for the  
44 production or collection of income which is exempt from taxation

45 under this chapter or the management, conservation or maintenance of  
46 property held for the production of such income, and the amortizable  
47 bond premium for the taxable year on any bond the interest on which  
48 is exempt from tax under this chapter to the extent that such expenses  
49 and premiums are deductible in determining federal adjusted gross  
50 income.

51 (B) There shall be subtracted therefrom (i) to the extent properly  
52 includable in gross income for federal income tax purposes, any  
53 income with respect to which taxation by any state is prohibited by  
54 federal law, (ii) to the extent allowable under section 12-718, exempt  
55 dividends paid by a regulated investment company, (iii) the amount of  
56 any refund or credit for overpayment of income taxes imposed by this  
57 state, or any other state of the United States or a political subdivision  
58 thereof, or the District of Columbia or any province of Canada, to the  
59 extent properly includable in gross income for federal income tax  
60 purposes, (iv) to the extent properly includable in gross income for  
61 federal income tax purposes, any tier 1 railroad retirement benefits, (v)  
62 with respect to any natural person who is a shareholder of an S  
63 corporation which is carrying on, or which has the right to carry on,  
64 business in this state, as said term is used in section 12-214, the amount  
65 of such shareholder's pro rata share of such corporation's  
66 nonseparately computed items, as defined in Section 1366 of the  
67 Internal Revenue Code, that is subject to tax under chapter 208, in  
68 accordance with subsection (c) of section 12-217, multiplied by such  
69 corporation's apportionment fraction, if any, as determined in  
70 accordance with section 12-218, (vi) to the extent properly includable  
71 in gross income for federal income tax purposes, any interest income  
72 from obligations issued by or on behalf of the state of Connecticut, any  
73 political subdivision thereof, or public instrumentality, state or local  
74 authority, district or similar public entity created under the laws of the  
75 state of Connecticut, (vii) to the extent properly includable in  
76 determining the net gain or loss from the sale or other disposition of  
77 capital assets for federal income tax purposes, any gain from the sale

78 or exchange of obligations issued by or on behalf of the state of  
79 Connecticut, any political subdivision thereof, or public  
80 instrumentality, state or local authority, district or similar public entity  
81 created under the laws of the state of Connecticut, in the income year  
82 such gain was recognized, (viii) any interest on indebtedness incurred  
83 or continued to purchase or carry obligations or securities the interest  
84 on which is subject to tax under this chapter but exempt from federal  
85 income tax, to the extent that such interest on indebtedness is not  
86 deductible in determining federal adjusted gross income and is  
87 attributable to a trade or business carried on by such individual, (ix)  
88 ordinary and necessary expenses paid or incurred during the taxable  
89 year for the production or collection of income which is subject to  
90 taxation under this chapter but exempt from federal income tax, or the  
91 management, conservation or maintenance of property held for the  
92 production of such income, and the amortizable bond premium for the  
93 taxable year on any bond the interest on which is subject to tax under  
94 this chapter but exempt from federal income tax, to the extent that  
95 such expenses and premiums are not deductible in determining federal  
96 adjusted gross income and are attributable to a trade or business  
97 carried on by such individual, (x) for a person who files a return under  
98 the federal income tax as an unmarried individual, or a married  
99 individual filing separately whose federal adjusted gross income for  
100 such taxable year is less than fifty thousand dollars and for a husband  
101 and wife who file a return under federal income tax as married  
102 individuals filing jointly or a person who files under federal income  
103 tax as a head of household whose federal adjusted gross income for  
104 such taxable year is less than sixty thousand dollars, an amount equal  
105 to the Social Security benefits includable for federal income tax  
106 purposes; for a person who files a return under the federal income tax  
107 as an unmarried individual, or a married individual filing separately  
108 whose federal adjusted gross income for such taxable year is fifty  
109 thousand dollars or more and for a husband and wife who file a  
110 return under federal income tax as married individuals filing jointly or

111 a person who files under federal income tax as a head of household  
112 whose federal adjusted gross income for such taxable year is sixty  
113 thousand dollars or more an amount equal to the difference between  
114 the amount of Social Security benefits includable for federal income tax  
115 purposes under the provisions of Section 13215 of the Omnibus Budget  
116 Reconciliation Act of 1993 and fifty per cent of the amount of such  
117 Social Security benefits includable for federal income tax purposes  
118 under the provisions of the Internal Revenue Code of 1986, or any  
119 subsequent corresponding internal revenue code of the United States,  
120 as from time to time amended, prior to August 10, 1993, (xi) to the  
121 extent properly includable in gross income for federal income tax  
122 purposes, any amount rebated to a taxpayer pursuant to section  
123 12-746, [and] (xii) to the extent properly includable in the gross income  
124 for federal income tax purposes of a designated beneficiary, any  
125 distribution to such beneficiary from any qualified state tuition  
126 program, as defined in Section 529(b) of the Internal Revenue Code,  
127 established and maintained by this state or any official, agency or  
128 instrumentality of the state, and (xiii) to the extent properly includable  
129 in gross income for federal income tax purposes, the amount of any  
130 Holocaust victims' settlement payment received in the taxable year by  
131 a Holocaust victim.

132 (C) With respect to a person who is the beneficiary of a trust or  
133 estate, there shall be added or subtracted, as the case may be, from  
134 adjusted gross income such person's share, as determined under  
135 section 12-714, in the Connecticut fiduciary adjustment.

136 Sec. 2. Subsection (a) of section 12-701 of the general statutes is  
137 amended by adding subdivisions (35) and (36) as follows:

138 (NEW) (35) "Holocaust victim settlement payment" means a  
139 payment received: (A) As a result of a settlement of the action entitled  
140 In re Holocaust Victims' Asset Litigation, C.A. No. 96-4849, in the  
141 United States District Court for the Eastern District of New York; (B)

142 under the German act regulating unresolved property claims, also  
143 known as Gesetz zur Regelung offener Vermögensfragen, or any other  
144 foreign law providing payments for Holocaust claims; or (C) as a result  
145 of the settlement of any other Holocaust claim, including insurance  
146 claims, claims relating to looted art, claims relating to looted financial  
147 assets, or claims relating to slave labor wages. "Holocaust victim  
148 settlement payment" includes any interest on any such payment  
149 accumulated or accrued through the date of payment. "Holocaust  
150 victim settlement payment" does not include any amount received  
151 from any asset acquired with any asset recovered, returned, or  
152 otherwise given as compensation to a Holocaust victim as a Holocaust  
153 victim settlement payment or with the proceeds from the sale of any  
154 asset recovered, returned, or otherwise given as compensation to a  
155 Holocaust victim as a Holocaust victim settlement payment.

156 (NEW) (36) "Holocaust victim" means an individual who died or  
157 lost property as a result of discriminatory laws, policies or actions  
158 targeted against discrete groups of individuals based on race, religion,  
159 ethnicity, sexual orientation or national origin, whether or not the  
160 individual was actually a member of any of those groups, or because  
161 the individual assisted or allegedly assisted any of those groups,  
162 between January 1, 1929, and December 31, 1945, in the country of  
163 Nazi Germany, areas occupied by Nazi Germany, those European  
164 countries allied with Nazi Germany, areas occupied by those European  
165 countries allied with Nazi Germany or any other neutral European  
166 country or area in Europe under the influence or threat of invasion by  
167 Nazi Germany or by any European country allied with or occupied by  
168 Nazi Germany. "Holocaust victim" includes the spouse or descendant  
169 of a Holocaust victim.

170 Sec. 3. Subdivision (24) of subsection (a) of section 12-701 of the  
171 general statutes is repealed and the following is substituted in lieu  
172 thereof:

173 (24) "Adjusted federal tentative minimum tax" of an individual  
174 means such individual's federal tentative minimum tax or, in the case  
175 of an individual whose Connecticut adjusted gross income includes  
176 modifications described in subparagraph (A)(i), (A)(ii), (A)(v), (A)(vi),  
177 (A)(vii) or (A)(viii) of subdivision (20) of subsection (a) of this section,  
178 as amended by this act, or subparagraph (B)(i), (B)(ii), (B)(v), (B)(vi),  
179 (B)(vii), (B)(viii), (B)(ix), [or] (B)(x) or (B)(xiii) of subdivision (20) of  
180 subsection (a) of this section, as amended by this act, the amount that  
181 would have been the federal tentative minimum tax if such tax were  
182 calculated by including, to the extent not includable in federal  
183 alternative minimum taxable income, the modifications described in  
184 subparagraph (A)(i), (A)(ii), (A)(v), (A)(vi), (A)(vii) or (A)(viii) of  
185 subdivision (20) of subsection (a) of this section, by excluding, to the  
186 extent includable in federal alternative minimum taxable income, the  
187 modifications described in subparagraph (B)(i), (B)(ii), (B)(v), (B)(vi),  
188 (B)(vii), (B)(viii), (B)(ix), [or] (B)(x) or (B)(xiii) of subdivision (20) of  
189 subsection (a) of this section, as amended by this act, and by excluding,  
190 to the extent includable in federal alternative minimum taxable  
191 income, the amount of any interest income or exempt-interest  
192 dividends, as defined in Section 852(b)(5) of the Internal Revenue  
193 Code, from obligations that are issued by or on behalf of the state of  
194 Connecticut, any political subdivision thereof, or public  
195 instrumentality, state or local authority, district, or similar public  
196 entity that is created under the laws of the state of Connecticut, or from  
197 obligations that are issued by or on behalf of any territory or  
198 possession of the United States, any political subdivision of such  
199 territory or possession, or public instrumentality, authority, district or  
200 similar public entity of such territory or possession, the income with  
201 respect to which taxation by any state is prohibited by federal law. If  
202 such individual is a beneficiary of a trust or estate, then, in calculating  
203 his or her federal tentative minimum tax, his or her federal alternative  
204 taxable income shall be increased or decreased, as the case may be, by  
205 the net amount of such individual's proportionate share of the

206 Connecticut fiduciary adjustment relating to modifications that are  
207 described in, to the extent not includable in federal alternative  
208 minimum taxable income, subparagraph (A)(i), (A)(ii), (A)(v), (A)(vi),  
209 (A)(vii) or (A)(viii) of subdivision (20) of subsection (a) of this section,  
210 as amended by this act, or, to the extent includable in federal  
211 alternative minimum taxable income, subparagraph (B)(i), (B)(ii),  
212 (B)(v), (B)(vi), (B)(vii), (B)(viii), (B)(ix), [or] (B)(x) or (B)(xiii) of  
213 subdivision (20) of subsection (a) of this section, as amended by this  
214 act.

215 Sec. 4. Subdivision (30) of subsection (a) of section 12-701 of the  
216 general statutes is repealed and the following is substituted in lieu  
217 thereof:

218 (30) "Adjusted federal alternative minimum taxable income" of an  
219 individual means his or her federal alternative minimum taxable  
220 income or, in the case of an individual whose Connecticut adjusted  
221 gross income includes modifications described in subparagraph (A)(i),  
222 (A)(ii), (A)(v), (A)(vi), (A)(vii) or (A)(viii) of subdivision (20) of  
223 subsection (a) of this section, as amended by this act, or subparagraph  
224 (B)(i), (B)(ii), (B)(v), (B)(vi), (B)(vii), (B)(viii), (B)(ix), [or] (B)(x) or  
225 (B)(xiii) of subdivision (20) of subsection (a) of this section, as amended  
226 by this act, the amount that would have been the federal alternative  
227 minimum taxable income if such amount were calculated by including,  
228 to the extent not includable in federal alternative minimum taxable  
229 income, the modifications described in subparagraph (A)(i), (A)(ii),  
230 (A)(v), (A)(vi), (A)(vii) or (A)(viii) of subdivision (20) of subsection (a)  
231 of this section, as amended by this act, by excluding, to the extent  
232 includable in federal alternative minimum taxable income, the  
233 modifications described in subparagraph (B)(i), (B)(ii), (B)(v), (B)(vi),  
234 (B)(vii), (B)(viii), (B)(ix), [or] (B)(x) or (B)(xiii) of subdivision (20) of  
235 subsection (a) of this section, as amended by this act, and by excluding,  
236 to the extent includable in federal alternative minimum taxable  
237 income, the amount of any interest income or exempt-interest



238 dividends, as defined in Section 852(b)(5) of the Internal Revenue  
239 Code, from obligations that are issued by or on behalf of the state of  
240 Connecticut, any political subdivision thereof, or public  
241 instrumentality, state or local authority, district, or similar public  
242 entity that is created under the laws of the state of Connecticut, or from  
243 obligations that are issued by or on behalf of any territory or  
244 possession of the United States, any political subdivision of such  
245 territory or possession, or public instrumentality, authority, district or  
246 similar public entity of such territory or possession, the income with  
247 respect to which taxation by any state is prohibited by federal law. If  
248 such individual is a beneficiary of a trust or estate, then, for purposes  
249 of calculating his or her adjusted federal alternative minimum taxable  
250 income, his or her federal alternative minimum taxable income shall  
251 also be increased or decreased, as the case may be, by the net amount  
252 of such individual's proportionate share of the Connecticut fiduciary  
253 adjustment relating to modifications to the extent not includable in  
254 federal alternative minimum taxable income, that are described in  
255 subparagraph (A)(i), (A)(ii), (A)(v), (A)(vi), (A)(vii) or (A)(viii) of  
256 subdivision (20) of subsection (a) of this section, as amended by this  
257 act, or to the extent includable in federal alternative minimum taxable  
258 income, subparagraph (B)(i), (B)(ii), (B)(v), (B)(vi), (B)(vii), (B)(viii),  
259 (B)(ix), [or] (B)(x) or (B)(xiii) of subdivision (20) of subsection (a) of this  
260 section, as amended by this act.

261 Sec. 5. (NEW) Any Holocaust victims' settlement payment, as  
262 defined in subdivision (35) of section 12-701 of the general statutes, as  
263 amended by this act, to a Holocaust victim, as defined in subdivision  
264 (36) of section 12-701 of the general statutes, as amended by this act,  
265 shall be excluded from any calculation of income for purposes of  
266 determining the eligibility for, or the benefit level of, such individual  
267 in any needs-based program under the general statutes or determining  
268 the ability of such individual to repay benefits to the state as a legally  
269 liable relative of a recipient of assistance under such program.

270       Sec. 6. This act shall take effect from its passage and sections 1 to 4,  
271 inclusive, shall be applicable to taxable years commencing on or after  
272 January 1, 2000, and section 5 shall be applicable to any application for  
273 state assistance pending on or after the effective date of this act.

**FIN   Committee Vote:**   Yea   39   Nay   0   JFS

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

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**OFA Fiscal Note**

**State Impact:** Precludes Potential Future Revenue Gain,  
Precludes Cost Savings

**Affected Agencies:** Various

**Municipal Impact:** Precludes Cost Savings

**Explanation****State and Municipal Impact:**

The bill precludes a potential future revenue gain as a result of making restitution payments to survivors of various human rights abuses during World War II exempt from the personal income tax.

The bill also precludes a cost savings to the state and municipalities by excluding restitution payments in calculating eligibility for means-tested human service programs.

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**OLR Bill Analysis**

sSB 563

***AN ACT CONCERNING TREATMENT OF HOLOCAUST REPARATIONS IN DETERMINING INCOME FOR TAX AND OTHER PURPOSES.*****SUMMARY:**

This bill exempts settlement payments to Holocaust victims from the state income tax. It also excludes such payments from income calculations that determine a person's (1) eligibility for benefits under any state program based on need and (2) ability to repay the state as a legally liable relative of someone who received state assistance.

The bill defines "Holocaust victim" and "Holocaust victim settlement payment" for purposes of the exemption and exclusions and makes technical and conforming changes.

The bill applies to income tax years beginning on or after January 1, 2000 and to applications for state assistance pending on its effective date.

EFFECTIVE DATE: Upon passage

**HOLOCAUST VICTIM**

The bill covers any person who died or lost property because of discriminatory laws or actions aimed at groups based on their race, religion, ethnicity, sexual orientation, or national origin between January 1, 1929 and December 31, 1945 in the following countries:

1. Nazi Germany;
2. Nazi Germany's European allies;
3. European countries occupied by Nazi Germany or its allies; and

4. any neutral European country or area under the influence of, or threat of invasion by, Nazi Germany, its allies, or occupied countries.

The definition also covers (1) people who lost property or died because they helped or tried to help members of targeted groups and (2) the spouse or descendent of any Holocaust victim.

### **HOLOCAUST VICTIM SETTLEMENT PAYMENTS**

The tax exemption and income exclusions apply to payments, and any interest on them accrued through the payment date, received:

1. from the settlement of a class action lawsuit against Swiss banks;
2. under German or other countries' laws regulating unresolved property claims or providing payments for Holocaust victims; or
3. as a result of settling any other Holocaust claim, including insurance, looted art, looted financial assets, or slave labor wage claims.

The exemption and exclusions do not cover (1) assets acquired with Holocaust victim settlement payments or (2) proceeds from the sale of any asset recovered, returned, or given as a Holocaust settlement payment.

### **BACKGROUND**

#### ***Legally Liable Relatives***

Parents of a minor child and the spouse of someone receiving state support or care in a state humane institution are liable for the cost of that care. The relative's contribution is scaled according to income.

#### ***Swiss Bank Holocaust Settlement***

Swiss banks and other Swiss entities have agreed to pay \$1.25 billion to settle a class action lawsuit arising out of their conduct related to

World War II and the Holocaust (*In re Holocaust Victim Asset Litigation*, C.A. 96-4849, U.S. District Court for the Eastern District of New York). Members of certain specified Nazi-targeted groups can receive compensation if they:

1. had assets deposited in a Swiss bank, investment fund, or similar custodian before May 9, 1945;
2. may have claims against Swiss entities for assets looted by the Nazi regime, or used to benefit that regime, between 1933 and 1946;
3. performed slave labor for companies or entities that deposited the proceeds of that labor in or through Swiss entities; or
4. unsuccessfully sought to enter Switzerland to avoid Nazi persecution or who, after entering, were deported or mistreated.

Those forced to perform labor in facilities and at work sites controlled by Swiss companies, whether or not they belong to any of the specified Nazi-targeted groups, are also eligible for compensation.

### **Other Settlements**

On February 15, 2000, the Insurance Commission on Holocaust Era Insurance Claims announced a settlement of claims by Holocaust victims, survivors, heirs, and beneficiaries under life, education, and dowry insurance policies issued between 1920 and 1945.

On March 24, 2000, the Jewish Claims Conference announced a \$5 billion settlement by the German government and German companies for surviving forced-laborers from World War II. Each claimant is expected to receive about \$2,500 from the forced labor settlement.

### **COMMITTEE ACTION**

Finance, Revenue and Bonding Committee

Joint Favorable Substitute

Yea 39      Nay 0

